

Message Text

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E.O. 11652: GDS

TAGS: EEWT, RO

SUBJ: COMPARISON OF TRADE AGREEMENT DRAFTS, DECEMBER 27

REF: A(BUCHAREST 5818 B(BUCHAREST 5586

1. SUMMARY: ROMANIAN COMMENTS AT DECEMBER 27 DISCUSSION OF PROPOSED TRADE AGREEMENT DRAFTS CENTERED ON THEIR DESIRE TO PIN DOWN MFN FOR SPECIFIED PERIOD, BORDER TRADE AND FREE TRADE AREAS. ROMANIANS ALSO STRESSED NEED FOR REMAINING PORTIONS OF U. S. DRAFT, REQUIRED FOR STUDY BEFORE OPENING OF NEGOTIATIONS. BUSINESS FACILITATION REPORTED SEPTEL. END SUMMARY.

2. DECEMBER 27 DISCUSSION OF TRADE AGREEMENT DRAFTS WAS ATTENDED ON ROMANIAN SIDE BY BOGDAN BALTAZAR (ECONOMIC DIRECTORATE, MINISTRY OF FOREIGN AFFAIRS), RECENTLY RETURNED FROM GATT WORKING PARTY ON ROMANIAN TARIFF, IN ADDITION TO DUMITRESCU. ROMANIANS INQUIRED WHETHER PASSAGE OF TRADE ACT PUT OUR TALKS ON NEW BASIS. WE REPLIED WE DO NOT YET HAVE FINAL TEXT OF ACT OR AGREEMENT OR AUTHORITY TO NEGOTIATE, SO TALKS MUST REMAIN ON INFORMAL BASIS WITH AIM OF CLARIFYING POTENTIAL POINTS OF DIFFERENCE. WE ALSO NOTED THAT TRADE ACT AS PASSED CONTAINS PROVISIONS LINKING MFN TO EMIGRATION POLICY AND THIS PRESUMABLY WOULD HAVE TO BE TAKEN INTO ACCOUNT IN TRADE AGREEMENT, ALTHOUGH PRECISE LANGUAGE NOT YET AVAILABLE.

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3. MFN. WHEN ASKED WHAT LANGUAGE THEY WOULD PREFER FOR

ARTICLE XII OF THE US DRAFT DUMITRESCU AND BALTAZAR DWELLED AT LENGTH ON THEIR UNHAPPINESS WITH IMPLICATION IN OUR DRAFT (PARA 2) THAT MFN COULD BE WITHDRAWN AT ANY TIME WITHOUT ADVANCE NOTICE, REPEATING SOME POINTS ALREADY REPORTED PARA 6, REFTEL A. POSSIBILITY OF SUDDEN REVERSAL ON MFN WOULD CREATE HAZARDOUS SITUATION FOR ROMANIAN EXPORTERS, DUMITRESCU SAID, WHO NEED SOLID BASIS FOR SETTING PRICES AND PLANNING PRODUCTION AND MARKETING. UNPREDICTABILITY OF U.S. POLICY WOULD ENCOURAGE ROMANIAN EXPORTERS TO TURN ELSEWHERE, SUCH AS EC, WHICH HAS GRANTED ROMANIA GENERALIZED PREFERENCES AND POSES NO COMPARABLE THREAT OF SUDDEN POLICY SHIFT. ASIDE FROM ECONOMIC CONSIDERATIONS, BALTAZAR QUESTIONED WHETHER PROVISION FOR UNILATERAL WITHDRAWAL OF MFN, UNRELATED TO ECONOMIC OR TRADE CONSIDERATIONS, WOULD SQUARE WITH U.S. AND ROMANIAN OBLIGATIONS UNDER GATT. DUMITRESCU SAID THIS ISSUE WAS NOT BEING RAISED AS AN OBSTACLE TO CONCLUDING PROPOSED TRADE AGREEMENT, BUT HE TOO DID NOT WISH TO SEE ROMANIA VIOLATE GATT OR SET UNFORTUNATE PRECEDENTS. IF U.S. TRADE ACT LIMITS MFN AUTHORITY TO 18-MONTH PERIOD, ROMANIANS SUGGESTED THAT THREE-YEAR U.S.-ROMANIAN TRADE AGREEMENT SHOULD ALSO CONTAIN LANGUAGE SPECIFYING 18-MONTH PERIOD FOR WHICH MFN IS BEING GRANTED AND THE POSSIBILITIES FOR RENEWAL.

4. BORDER TRADE. WE REQUESTED FURTHER CLARIFICATION OF ROMANIAN INTENT IN INCLUDING EXCEPTIONS FOR ADVANTAGES GRANTED OTHER COUNTRIES UNDER BORDER TRADE, FREE TRADE AREA AND CUSTOMS UNION AGREEMENTS (ARTICLE II OF ROMANIAN DRAFT). DUMITRESCU REPLIED THAT THESE ARE STANDARD EXCEPTIONS, USE GATT LANGUAGE, AND ARE INCLUDED IN ROMANIAN CUSTOMS LAW. ROMANIA'S ONLY BORDER TRADE AGREEMENT, WITH YUGOSLAVIA, APPLIES TO AREA WITHIN 20 KILOMETERS OF BORDER AND COVERS ONLY PETTY COMMERCE BY INDIVIDUALS, NOT FIRMS, AND FALLS UNDER JURISDICTION OF ROMANIAN MINISTRY OF INTERNAL TRADE, NOT FOREIGN TRADE MINISTRY.

5. FREE TRADE AREAS. DUMITRESCU STATED ROMANIA HAS ENTERED INTO NO RPT NO FREE TRADE AREA OR CUSTOMS UNION AGREEMENTS TO DATE. TRADE WITH CEMA COUNTRIES IS NO EXCEPTION; ROMANIAN CUSTOMS TARIFF APPLIES TO CEMA COUNTRIES AS WELL AS ALL OTHERS. HOWEVER, ROMANIA DID NOT WISH RULE OUT POSSIBILITY OF ENTERING INTO A

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FREE TRADE AREA AGREEMENT, DUMITRESCU SAID, NOTING THAT FINLAND HAD ALREADY ENTERED INTO SUCH AGREEMENTS WITH SOME EASTERN EUROPEAN COUNTRIES, WAS NEGOTIATING WITH OTHERS, AND HAD OFFERED TO NEGOTIATE ONE WITH ROMANIA. IF WE DID NOT WISH TO INCLUDE PRECISE LANGUAGE CONTAINED IN ROMANIAN ARTICLE II, PERHAPS SAME POINT COULD BE MADE BY REFERENCE TO STANDARD GATT EXCEPTIONS.

6. DUMITRESCU REQUESTED REMAINING PORTIONS OF OUR DRAFT, I.E. ARTICLES III AND V AND ANNEX 1 (SAFEGUARDS). DUMITRESCU AND BALTAZAR EXPRESSED PARTICULAR INTEREST IN SAFEGUARDS CLAUSE, NOTING THAT ITS PROVISIONS COULD BE CRITICAL TO USEFULNESS OF ENTIRE AGREEMENT. ROMANIANS NEED COMPLETE U.S. DRAFT TO GET CABINET-LEVEL MANDATE TO NEGOTIATE AND TO ALLOW ADEQUATE TIME FOR STUDY BEFORE ARRIVAL OF OUR NEGOTIATING TEAM. DUMITRESCU ALSO ASKED FOR SOME INDICATION OF ARRIVAL DATE AND MAKEUP OF OUR NEGOTIATING TEAM.

7. EMBASSY WOULD APPRECIATE LEARNING DEPARTMENT'S TENTATIVE PLANS FOR SENDING REMAINING PORTIONS OF DRAFT AND FOR OPENING NEGOTIATIONS. EMBASSY CAN PRESENT ARTICLE V NOW, OF COURSE, BUT ASSUMES DEPARTMENT IS RECONSIDERING LANGUAGE AS SUGGESTED BUCHAREST 5586.
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